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NEW BRUNSWICK

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES

One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as a contribution to federal-provincial consultations
on regional development policy in Canada

April, 1973



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INTRODUCTION

The Department of Regional Economic Expansion was established in 1969 to consolidate and strengthen the efforts of the federal government to combat regional disparities and support regional development. The Department carried forward the work of the Prairie Farm Rehabilitation Administration, and the administration of agreements signed under the Agricultural and Rural Development Act and the Fund for Rural Economic Development. The program of the Area Development Agency, which was designed to encourage industrial decentralization, formed the basis for introduction by the Department of a similar but more broadly based program under the Regional Development Incentives Act. Commitments made by the Atlantic Development Board were carried out and a new program of infrastructure assistance was introduced under the "special area" provisions of the Department Act.

In 1972, an internal policy review was undertaken to assess the progress being achieved and, particularly, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. This paper is one of a series prepared as a result of that policy review. Separate papers have been prepared for each province (except for Prince Edward Island), the Atlantic Region, the Western Region, and a region defined for analytical purposes as the Western Northlands. For Prince Edward Island, the Development Plan currently in operation provides the framework and mechanism for joint development of priorities and initiatives and in consequence a separate federal paper is not appropriate. Each paper contains a summary of economic and social circumstances and a discussion of possible areas of opportunity for economic and related social development. Together, they are designed to serve as working papers for consultations with each of the provincial governments which, it is hoped, will result in new and improved approaches to regional economic development.

Regional economic development poses complex problems that vary from period to period and from place to place in Canada. No simple nor single solution is likely to be found. New and more flexible approaches are considered necessary and it is hoped that the discussions with the provincial governments will lead to greater and increasingly more effective federal-provincial action to overcome regional disparities and to encourage economic and social development in the slow-growth parts of Canada.

This paper is meant to be read in the context of observations and suggestions contained in a statement made on April 10, 1973, by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Some relevant excerpts from this statement are set out at the end of each paper as an indication of the approach to regional development being suggested.

ECONOMIC CIRCUMSTANCES

BACKGROUND

New Brunswick was settled originally by the Acadians in the 17th century. Their expulsion and resettlement and the arrival of the United Empire Loyalists in 1783 established the features which characterize much of the population today. Between 1800 and 1850, an economic system evolved based on timber, shipbuilding, shipping and fisheries. Utilizing the triangular run of fish and lumber to the West Indies, rum and sugar to England, and manufactured goods to the Maritimes, New Brunswick prospered with Saint John as its focal point.

The Reciprocity Treaty involving free trade in raw materials with the United States enabled New Brunswick to capitalize on the rapidly expanding American market. The result was a significant increase in exports, particularly between 1854 and Confederation. This situation was reinforced by conditions in the U.S. during the Civil War. The New Brunswick shipbuilding industry during this period became as efficient and competitive as any in the world. Economic conditions deteriorated with the advent of the railroad and steamship era. The old shipbuilding and shipping techniques on which New Brunswick had flourished were rendered obsolete by steel and steam. Entrepreneurs and workers were affected alike.

In 1867, New Brunswick had 250,000 inhabitants. The population of its largest centre, Saint John, was 20,000. The province's population has grown less quickly than has Canada's since Confederation due to heavy net out-migration. Despite the construction of the Intercolonial Railway through New Brunswick, the 1873-96 depression in Canada hit the province's economy very hard. The adverse effects were reinforced by the erosion of shipbuilding, a cornerstone industry, and repercussions were felt in every sector. Over half the labour force at this stage in the province's history was directly employed in the carrying trade and manufacturing activities related to shipbuilding. Enormous capital losses and large scale emigration, particularly of the young and talented, contributed to the emergence of an inauspicious psychological attitude on the part of many residents which in turn affected adversely the general economy of the area.

Because of the Intercolonial Railway's strategically sound but uneconomic alignment, the Canadian Pacific Railway was encouraged to construct a "short-line" link between Saint John and Montreal through the State of Maine. But this new railroad was a two-edged sword. It enabled some New Brunswick producers to flourish. Others, however, were subjected to heightened competition from Central Canadian manufacturers with the result that a number of New Brunswick businesses closed and a labour surplus appeared. Many New Brunswickers responded by adopting a subsistence pattern of living as farmers, fishermen, loggers or trappers.

While Canada underwent rapid expansion between 1900 or so and 1914 primarily as a result of the opening of the West and the consequent wheat boom, New Brunswick experienced relatively few of the resulting benefits. Many of the demands created by the development of the West for durable and non-durable goods were met by Central Canadian rather than Maritime producers because of their more favourable location.

During the early 1920s, pulp and paper and hydro-electric power emerged as important new elements in the New Brunswick economy, giving rise to the greatest structural change since the decline of the shipbuilding and shipping industries. The electric power developments were induced in considerable measure by the expansion in the production of pulp and paper which, in turn, was largely responsible for maintaining the output of the forest industry at a time when lumber production was declining sharply because of external competition. Both the new industries were capital-intensive in contrast with the highly labour-intensive shipbuilding industry. Also, their local economic linkages were not as numerous.

New Brunswick did not suffer as severely from the effects of the Great Depression as the rest of Canada with the exception of Nova Scotia. Personal income per capita decreased by 39 per cent compared to a decrease of 44 per cent in Central Canada and one of 48 per cent in Canada as a whole.

During World War II, heavy enlistment in the armed forces and federal government spending on local airfields, army bases and naval installations both reduced unemployment to a minimum and provided a temporary stimulus to the New Brunswick economy. At the same time, high profits and labour scarcities led to some substitution of capital for labour, particularly in the extractive industries. The result was a permanent decline in certain types of job, mostly of the low-wage, unskilled variety.

For a considerable period after 1945, the New Brunswick economy reverted to the pre-war situation of gradual

expansion. Growth was insufficient to provide an adequate number of jobs or to raise the level of income up to the Canadian average.

RECENT PAST

Since the beginning of the 1960s, New Brunswick has maintained a rate of growth in its Gross Provincial Product almost equivalent to Canada's (cf. Table 1). Personal income per capita over the initial part of the post-war period hovered around 66 per cent of the national average. However, during the 1960s, particularly towards the end of the decade, a relative improvement occurred. Indeed, as was the case in the other Atlantic Provinces, personal income per capita grew faster in New Brunswick between 1961 and 1971 than in Canada as a whole.

During the 1960s, the relative importance of the mining and construction industries in the New Brunswick economy increased. In contrast, industries like manufacturing, forestry and agriculture experienced a relative decline. Per capita investment grew faster in New Brunswick during this period than anywhere else in the country with the exception of Newfoundland. However, the New Brunswick economy did not expand enough to absorb completely the natural growth in the labour force. Consequently, continuous net out-migration to other parts of Canada and to the Eastern United States took place. The historic gap between the New Brunswick and Canada labour force participation rates continued to prevail; indeed, the gap widened from 1965 to 1971. A reversal of this trend occurred between 1971 and 1972--the gap shrank perceptibly from 7.5 to 6.5 percentage points. In general, however, the labour market in New Brunswick was not particularly buoyant during the 1960s and early 1970s. The provincial unemployment rate was considerably higher than its national counterpart.

Certain parts of New Brunswick over the 1960s were much more disadvantaged than the province as a whole. The Northeast for instance, was characterized by per capita incomes equal to approximately half the national average, unemployment rates more than double the national average, labour force participation rates about ten percentage points below the national average, unemployment rates more than double the national average, and a rate of illiteracy in 1961 almost double the provincial one. In recognition of the unusual needs of this area, the federal government in the mid-sixties launched a special comprehensive development plan to improve economic and social conditions in the Northeast.

SELECTED ECONOMIC INDICATORS: DECENTRAL RATES OF CHANGE BY PROVINCE/REGION, 1961-71

TABLE 1

	Population	Labour Force	Employment	Census Value Added in the Goods Producing Sector ^a	Value Added in the Goods Manufacturing Sector ^b	Personal Income Per Capita	Investment Per Capita	GNP/GRP/GPP
Canada	18.3	32.4	33.4	93.5	101.3	106.2	94.0	134.8
Atlantic Region	8.4	18.4	21.9	117.6	91.0	114.7	149.0	131.2
Newfoundland	14.2	na	na	179.2	97.5	130.1	149.8	161.6
Nova Scotia	7.2	na	na	97.3	97.2	103.3	132.4	117.5
<u>New Brunswick</u>	<u>6.2</u>	<u>na</u>	<u>na</u>	<u>95.7</u>	<u>82.2</u>	<u>120.0</u>	<u>132.5</u>	<u>130.6</u>
Prince Edward Island	6.7	na	na	97.2	101.9	125.3	60.4	137.2
Quebec	14.6	31.5	33.0	79.4	86.1	103.4	66.4	125.5
Ontario	23.5	35.3	35.7	96.1	114.6	103.0	101.1	151.0
Prairie Region	11.5	21.4	121.6	100.6	81.9	114.6	69.1	na
British Columbia	34.1	58.4	60.7	92.0	101.3	96.0	120.5	164.1

^a1961-70
^b1961-69

na; not available

Sources: Computed from various Statistics Canada data sources with the exception of the NB GPP figure which reflects provincial government estimates.

Population

The population of New Brunswick increased over the 1960s but only at one-third the national rate. This situation was due primarily to persistently high net out-migration.

Between 1961 and 1971, the population increased by 36,600 to 634,700, an increase of 0.6 per cent per annum compared to 1.7 per cent for Canada as a whole. The provincial share of the national population fell from 3.3 to 2.9 per cent.

The age distribution of the population in 1961 and 1971 for selected age groupings is illustrated in Table 2. Assuming that the economically-active population is represented by the 15-64 age group, and that the younger and older segments are dependent on the efforts of the 'core' group, New Brunswick's dependency ratio in both years was much higher than that for Canada as a whole. Even more interesting is the fact that the province's dependency ratio dropped by 20 percentage points over the decade compared to a drop of only 11 percentage points in Canada. This phenomenon occurred despite an unusually large increase in the size of the older age group in New Brunswick.

TABLE 2

POPULATION AGE DISTRIBUTION

NEW BRUNSWICK AND CANADA, 1961 & 1971

<u>Year</u>	<u>Age Grouping</u>	<u>0-14 %</u>	<u>65 & over %</u>	<u>15-64 %</u>	<u>Dependency Ratio (0-14 & 65 & over/ 15-64)</u>
1961 NB	38.0	7.9	54.1	0.85	
1961 Canada	34.0	7.6	58.4	0.71	
1971 NB	32.0	8.6	59.4	0.68	
1971 Canada	29.6	8.1	62.3	0.60	

Source: Computed from Census of Canada data.

In terms of mother tongue, New Brunswick's population is composed of two major groups, the sizes of which have changed comparatively little over the last decade. In 1971, the Francophone segment accounted for 34 per cent of the provincial population compared to 35 per cent in 1961. Conversely, the Anglophone segment accounted for 65 per cent in 1971 compared to 63 per cent in 1961. "Others" amounted to only 1.3 per cent in 1971 compared to 1.5 per cent in 1961. Generally, the north-

eastern part of the province is primarily Francophone (60 per cent) and the southeastern part is primarily Anglophone (92 per cent). A belt running between the two has equal representation from both language groups. The Francophone community is somewhat less urbanized than the Anglophone one.

As implied earlier, New Brunswick experienced consistently high rates of net out-migration following World War II although the rate fluctuated enormously from -14.7 per 1,000 to -1.0. The peak outflow in absolute terms took place in 1964 when the province's net loss was 9,000 persons. The most disturbing aspect of the population drain was that most of the emigrants were in the 15-29 age group; approximately one-third were aged 20-24. Many had just completed their education and were entering the labour force for the first time.

Urban Trends

While New Brunswick is participating in the nationwide trend towards greater urbanization, the percentage of the population living in urban centres is much lower than in the country as a whole as indicated below. The rate of urbanization in the province is about the same as in Canada although the rural non-farm population, an essentially quasi-urban group in New Brunswick, is much larger than elsewhere. In 1971, approximately 57 per cent of the provincial population resided in urban centres having 1,000 or more inhabitants. One-third of this group was in centres of under 10,000 people.

Percentage Distribution of the Urban, Rural & Rural Non-Farm Population in New Brunswick & Canada, 1951-71

	<u>1951</u> %	<u>1961</u> %	<u>1966</u> %	<u>1971</u> %
New Brunswick				
Urban	42.5	46.5	50.6	57.0
Rural non-farm	29.5	43.1	41.0	39.0
Rural	28.0	10.4	8.4	4.0
Canada				
Urban	62.9	69.6	73.5	76.1
Rural non-farm	17.3	19.0	16.9	17.3
Rural	19.8	11.4	9.6	6.6

While the proportion of the provincial population living in urban centres increased by only four percentage points over the 1951-61 period, it rose by more than 10 percentage points between 1961 and 1971.

New Brunswick's seven largest "urban" centres in 1971 together contained some 230,000 people or 36 per cent of the total provincial population, a situation changed surprisingly little from that prevailing 10 years previously (cf. Table 3). A major part of the explanation for the seeming lack of urban growth lies in the definition of the term, urban. The following figures for the nine major "urban areas" in the province illustrate what happens when one departs somewhat from the official version of the concept.

Major Urban Areas in New Brunswick

	Population		% Increase
	1961	1971	
Saint John	98,083	106,744	8.8
Moncton	62,995	71,416	13.4
Fredericton	31,875	46,577	46.1
Campbellton-Dalhousie	25,530	26,714	4.6
Chatham-Newcastle	24,877	24,876	0.0
Caraquet-Shippegan	20,349	22,371	9.9
Bathurst	15,940	19,784	24.1
Edmundston	17,885	17,331	- 3.1
Oromocto	14,300	14,038	- 1.9
Total	311,834	349,851	12.2

The largest urban area in 1971 was Saint John; its population increased over the preceding ten years by almost nine per cent from 98,100 to 106,700. This essentially English-speaking community is the major port and manufacturing centre in the province. Moncton, the second largest centre in 1971, had a population in that year of 71,400 located in eight separate but adjacent incorporated municipalities. The area grew by more than 13 per cent over the 1961-71 period. It is the main wholesale-distribution-railway centre in the province. One-third of its population is French-speaking, and it is the main centre for Acadian institutions in the Maritimes. The Fredericton urban area, the provincial seat of government, contained 46,600 people in 1971, a 46 per cent increase over 1961. The next four largest urban centres were located in the predominantly Acadian, northeastern part of the province, and contained collectively almost 94,000 people, approximately eight per cent more than in 1961. Only two of the major urban areas in New Brunswick, viz., Edmundston and Oromocto with 17,000 and 14,000 people respectively in 1971, experienced a decline in population over the 1960s.

TABLE 3

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES
IN NEW BRUNSWICK, 1960/61 - 1970/71

	<u>Population</u> 1961 1971	<u>Total Taxable</u>		<u>Value of</u>		<u>Value of</u> <u>Shipments</u> <u>1960</u> <u>1970</u>		
		<u>Income</u> <u>1960</u> <u>1970</u>		<u>Retail Sales</u> <u>1961</u> <u>1971</u>				
		\$M	\$M	\$M	\$M			
Saint John (Metro)	95,563	106,744	85.1	193.0	102.7	170.1	139.5	241.1
Moncton	48,840	47,891	42.1	144.0	83.9	103.3	42.0	75.5
Fredericton	19,683	24,254	21.5	88.5	44.7	91.7	11.5	31.2
Bathurst	5,494	16,674	na	36.5	12.3	42.1	na	27.6
Edmundston	12,791	12,365	9.9	26.1	13.0	29.2	na	39.2
Oromocto	12,170	11,427	na	9.1	3.7	6.7	no activity ^b	
Campbellton	9,873	10,335	5.0	24.9	12.8	23.1	1.8	6.4
Totals	204,414	229,690	na	522.1	273.1	466.2	na	421.0
Total Province	597,936	634,657	338.8	985.0	488.1	834.8	377.1	730.2
Major Centres as % of Province	34.2	36.2	na	53.0	56.0	55.8	na	57.7

na: not available/applicable.

^aValue of production rather than value of shipments except in the case of Saint John where the figure relates to selling value of shipments.

^bOromocto is the site of CFB Gagetown and has a negligible quantity of manufacturing activity.

Sources: Statistics Canada, Census of Canada (Population) and Census of Canada (Retail Trade); Financial Post, Survey of Markets, 1963 and 1972 editions.

ECONOMIC INDICATORS

Gross Provincial Product

The New Brunswick economy has clearly participated in the growth of national output. The Gross Provincial Product increased at an annual rate of 8.7 per cent between 1961 and 1971 compared to a 9.0 per cent a year Gross National Product increase (in Canada) over the same period (cf. Table 4). Per capita Gross Provincial Product, however, rose faster than per capita Gross National Product. Whereas in 1961 it was 63.4 per cent of the national average, by 1971 it had risen to 69.3 per cent, an increase of 5.9 percentage points. This result reflected the combined effect of differing rates of growth in provincial output and population.

Personal Income

During the 1961-71 period, personal income in New Brunswick on a per capita basis grew at a faster rate than in Canada as a whole (8.2 per cent a year compared to 7.5). Consequently, the historic per capita income gap narrowed. In 1961, provincial per capita personal income amounted to \$1,122 or 68.0 per cent of the national average. By 1971, it had climbed to \$2,469 or 72.5 per cent of the national average (cf. Table 5). Earned income in New Brunswick on a per capita basis was approximately 70 per cent of the national per capita average in 1971. Over the 1961-71 period, it increased slightly more than personal income, i.e., by 5.0 percentage points compared to 4.5. Government transfer payments on a per capita basis in New Brunswick were generally well above the national level (they averaged 6.2 percentage points above the national figure over the 1961-70 period) until 1971 when they dropped to the national average.

Investment

Annual investment in New Brunswick more than doubled over the 1961-71 period (cf. Table 6). The provincial growth rate was significantly higher than the Canada one, i.e., 9.4 per cent a year compared to 8.6. On a per capita basis, the annual growth rate differential was even greater, i.e., 8.8 per cent in New Brunswick compared to 6.9 per cent in Canada. Total investment in New Brunswick averaged about 2.3 per cent of all investment made in Canada during the decade. In 1971, the provincial figure accounted for 2.4 per cent of the national total. Per capita investment increased strongly, albeit sporadically, in New Brunswick relative to Canada, from a little over two-thirds of the national average in 1961 to over four-fifths in 1971. Manufacturing accounted for a surprisingly large share of total investment in the province during most of the 1961-71 period. Between 1969 and 1971, the industry's

TABLE 4

NEW BRUNSWICK'S GROSS PROVINCIAL PRODUCT
SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Year</u>	GPP \$M ^a	Annual Change In GPP %	GPP as a % of Canada %	GPP Per Person \$	GPP Per Person as a % of Canada %	Annual Change in GPP Per Person %
1961	824	na	2.1	2.1	1,378.2	63.4	na
1962	886	7.52	2.1	2.1	1,464.5	63.4	6.3
1963	936	5.64	2.0	2.0	1,536.9	63.3	4.9
1964	1,031	10.15	2.1	2.1	1,687.4	64.7	9.8
1965	1,118	8.43	2.0	2.0	1,817.9	64.5	7.7
1966	1,249	11.72	2.0	2.0	2,025.0	65.6	11.4
1967	1,364	9.21	2.1	2.1	2,200.0	67.5	8.6
1968	1,474	8.06	2.0	2.0	2,358.4	67.3	7.2
1969	1,613	9.43	2.0	2.0	2,568.5	67.6	8.9
1970	1,740	7.87	2.0	2.0	2,788.5	69.5	8.6
1971	1,900	9.20	2.0	2.0	2,992.1	69.3	7.3

na: not available

^aAs elsewhere in this paper, all dollar figures are in current dollars.

Sources: Estimates by the New Brunswick Office of the Economic Advisor and Statistics Canada, System of National Accounts, Cat. #13-201.

TABLE 5
PERSONAL INCOME IN NEW BRUNSWICK
SELECTED INDICATORS, 1961-71

Year	Personal Income	Farm Income as a % of Personal Income		Personal Income Per Capita		Earned Income Per Capita; NB as a % of Canada	Government Transfer Payments Per Capita; NB as a % of Canada
		NB	Canada	\$ —	NB as a % of Canada		
1961	671	1.64	2.7	1,122	68.0	65.3	107.0
1962	707	2.12	4.2	1,169	66.2	63.7	102.3
1963	751	1.60	4.1	1,233	67.0	64.4	107.5
1964	809	2.22	3.2	1,324	68.5	66.0	107.4
1965	880	2.04	3.5	1,431	68.4	66.1	107.3
1966	979	0.82	3.9	1,587	68.9	66.4	109.0
1967	1,067	0.84	2.6	1,721	69.3	67.4	100.7
1968	1,183	1.44	2.8	1,893	70.4	67.2	111.4
1969	1,303	0.77	2.3	2,075	70.5	67.8	105.1
1970	1,417	1.13	1.7	2,260	72.3	69.9	104.0
1971	1,568	0.45	2.0	2,469	72.5	70.3	100.0

Source: Statistics Canada, National Income and Expenditure Accounts: Historical Revision, 1926-1971.

TABLE 6

INVESTMENT IN NEW BRUNSWICK - SELECTED INDICATORS, 1961-71

Year	Total Investment \$M. % of Canada	Total Investment Per Capita as a % of Canada	Distribution of Total Investment by Sector							
			Total %	Primary Industries & Construction NB Canada	Housing, Institutional Services & Gov't Depts. NB Canada	Utilities NB Can.	Trade, Finance & Commercial Services NB Can.	Manufacturing NB Can.		
1961	247.9	2.2	67.7	100.0	11.7	15.4	43.6	38.2	21.9	21.6
1962	253.0	2.1	65.3	100.0	13.1	15.5	42.4	39.2	22.8	19.7
1963	270.4	2.1	65.9	100.0	16.3	16.2	39.1	38.3	21.8	20.0
1964	343.7	2.4	74.5	100.0	13.2	16.6	36.8	36.5	21.0	19.8
1965	427.9	2.5	81.4	100.0	13.0	16.3	34.1	35.5	24.9	19.6
1966	490.5	2.5	81.8	100.0	11.8	16.5	35.4	33.9	23.6	19.9
1967	486.6	2.4	80.0	100.0	10.4	16.7	40.2	35.0	27.1	20.8
1968	445.6	2.2	72.4	100.0	10.4	16.3	43.9	37.3	23.5	21.0
1969	508.8	2.3	77.3	100.0	12.1	15.8	37.5	37.1	19.3	19.9
1970	604.0	2.6	87.8	100.0	8.7	15.6	40.4	35.1	15.1	20.7
1971 ^b	611.9	2.4	81.1	100.0	9.1	16.5	40.7	37.8	17.4	20.4

a Total investment = total new capital & repair expenditures on construction and machinery.

b Preliminary actual data.

Sources: Canada Dept. of Industry, Trade & Commerce & Statistics Canada, Private & Public Investment in Canada: Outlook & Regional Estimates, SC Cat.# 61-205, various issues.

relative share in New Brunswick was much higher than in Canada, an unusual phenomenon in the Atlantic Region. It is also noteworthy that investment in the primary industries and construction category in New Brunswick was consistently 5-6 percentage points below the comparable national share figure throughout the 1961-71 period.

Output

During the two decades ending in 1971, the New Brunswick economy shifted strongly towards an emphasis on services. In 1951, the service sector accounted for approximately one-half of the Gross Provincial Product. By 1967, its share had increased to almost two-thirds (65.5%); it has subsequently remained at approximately that level. In Canada as a whole, the service sector's share of the Gross National Product rose from 53.7 per cent in 1961 to 58.4 per cent in 1970 (cf. Table 7). While manufacturing accounted for only 15.6 per cent of the total net value of New Brunswick production in 1970, i.e., the production of goods and services, it contributed close to half (45.5%) of the net value of goods production alone. The five primary industries together accounted for only seven per cent of the total net value of production.

Largely as a consequence of the relatively rapid growth in the mining, construction and service industries over the 1960s in New Brunswick, manufacturing's relative contribution to the GPP dropped by almost three percentage points, the same magnitude of change that occurred at the national level. Aggregate net output in New Brunswick increased by 111.2 per cent during the 1961-70 period, from \$824 million to \$1,740 million (cf. Table 8). During this same period, Canada registered a 115.5 per cent advance in Gross National Product.

The strongest increases in New Brunswick took place in the mining, construction, electric power and fishing industries. However, the service sector with an output in 1971 of \$1,145 million, manufacturing (\$271 million) and construction (\$152 million) were by far the largest growth areas in absolute terms. Only forestry experienced an actual output decline during the 1960s. Agriculture and manufacturing grew slower in New Brunswick than in Canada. The remaining industrial components of the New Brunswick economy grew at a considerably faster rate than their national counterparts.

Labour Force and Employment

Over the 1965-72 period, the New Brunswick labour force increased by 26,000 from 200,000 to 226,000 (cf. Table 9). The rate of growth per annum was 1.8 percent or slightly more than one-half the national rate of 3.2 per cent. In 1965, the aggregate

TABLE 7
STRUCTURAL CHANGES
NEW BRUNSWICK AND CANADA, 1961-70

Industry ^a	Net Value of Production					
	New Brunswick			Canada		
	1961 %	1970 %	Change in Relative Weight of Industry, 1961-70	1961 %	1970 %	Change in Relative Weight of Industry, 1961-70
Manufacturing	18.8	15.6	-3.2	26.3	23.5	-2.8
Construction	6.3	8.8	+2.5	7.0	7.2	+0.2
Forestry	4.2	1.9	-2.3	1.7	0.8	-0.9
Agriculture	3.2	2.1	-1.1	4.5	3.3	-1.2
Electric Power	2.5	2.1	+0.4	2.1	2.0	-0.1
Mining	0.9	2.0 ^b	+1.1	4.4	4.5	+0.1
Fishing	0.9	1.0	+0.1	0.3	0.2	-0.1
Trapping	na	na	na	na	na	na
	—	—	—	—	—	—
Total Goods-Producing	36.9	34.2	-2.7	46.3	41.6	-4.7
Services ^c	63.1	65.8	+2.7	53.7	58.4	+4.7
	—	—	—	—	—	—
GPP	100.0	100.0	na	100.0	100.0	na

na: not available

^a Ranked by size of net value of production or value added in New Brunswick in 1961.

^b Derived from a preliminary datum.

^c Residual figures obtained by subtracting the value added by the goods-producing industries from the GPP. They comprise domestic factor incomes earned in the service industries, plus indirect taxes, less subsidies, less income paid to non-residents, plus income earned outside the province by residents, and may either overstate or understate the true net value of service output.

Source: Computed from Statistics Canada, Survey of Production, 1970, Cat. #61-202, and Table 4 above.

TABLE 8
OUTPUT GROWTH IN NEW BRUNSWICK
BY INDUSTRY, 1961-70

<u>Industry</u> ^a	<u>Net Value of Production</u>			
	<u>Nova Scotia</u>		<u>Canada</u>	
	<u>1961</u>	<u>1970</u>	<u>Per Cent Increase</u>	<u>Per Cent Increase</u>
	\$'000	\$'000		
Mining	7.5	34.8 ^c	364.0	124.7
Construction	52.1	152.3	192.3	119.8
Electric Power	21.0	49.7	136.7	102.9
Fishing	7.7	17.8	131.2	84.3
Trapping	0.14	0.30	114.3	12.8
Manufacturing	154.9	270.7	74.8	92.1
Agriculture	26.0	37.1	42.7	60.6
Forestry	34.9	32.6	-6.6	2.5
	—	—	—	—
Total Goods-Producing Services	304.2	595.2 ^c	95.7	93.5
	538.3 ^b	1,149.2 ^b	113.5	134.5
	—	—	—	—
GPP	842.5	1,744.4	107.1	115.5

^aRanked by size of percentage increase in New Brunswick over the 1961-70 period.

^bSee Table 7.

^cPreliminary datum.

Source: See Table 7.

TABLE 9
NEW BRUNSWICK'S LABOUR MARKET - SELECTED INDICATORS, 1965-72

Year	Labour Force '000	Employment '000	Unemployment '000	Labour Force Participation Rates					
				Unemployment Rate		Total		Male	
				NB %	Canada %	NB %	Canada %	NB %	Canada %
1965	200	185	15	7.5	3.9	50.1	54.4	72.6	77.9
1966	204	190	14	6.9	3.6	50.2	55.1	72.5	77.8
1967	204	190	14	6.9	4.1	49.4	55.5	70.9	77.5
1968	208	193	15	7.2	4.8	49.3	55.5	69.6	77.0
1969	212	194	18	8.5	4.7	49.3	55.8	69.7	76.6
1970	213	196	17	8.0	5.9	48.9	55.8	69.2	76.4
1971	215	198	16 ^a	7.4	6.4	48.6	56.1	67.7	76.1
1972	226	207	19	8.4	6.3	50.0	56.5	68.5	76.2

^a Apparent inconsistencies in the table are due to rounding.

Source: Statistics Canada, Labour Force, Cat. #71-001.

labour force participation rate in New Brunswick was 4.3 percentage points below the national average. Whereas the provincial rate did not increase over the next seven years, the national rate increased by 2.1 percentage points, resulting in a difference between the provincial and national figures in 1972 of 6.5 percentage points. The New Brunswick female participation rate rose between 1965 and 1972 by 4.0 percentage points, i.e., by only two-thirds as much as its national counterpart. In contrast, the New Brunswick male rate declined by 4.1 percentage points, a much bigger drop than that recorded at the national level.

Employment in New Brunswick rose by 22,000 between 1965 and 1972, from 185,000 to 207,000 or by 1.6 per cent a year. The difference between the labour force and employment rates of increase (1.8 vs. 1.6) led to a rise in the number of unemployed from 15,000 to 19,000, and to a rise in the unemployment rate from 7.5 per cent to 8.4 per cent. On the other hand, the national unemployment rate rose faster than the provincial one leading to a significant reduction in the traditional gap between the two figures.

Fiscal Capacity

In terms of fiscal capacity, New Brunswick has continuously been one of Canada's less-favoured provinces. Thus, it has had to rely upon equalization grants from the federal government in order to provide an adequate level of essential services to its population. Without equalization grants, the New Brunswick populace would have had to shoulder a crippling deficit-financing burden and very high tax rates. Table 10 illustrates the revenue-generating capacity of all 10 Canadian provinces for the fiscal year, 1971-72. It can be seen that, on a per capita basis, New Brunswick exhibited a fiscal capacity well below the all-provinces average. Taking the latter as 100.0, the comparable New Brunswick figure was 67.2. This rather inauspicious showing reflected in considerable measure the province's relatively slim personal and corporate income tax bases. However, the situation confronting government in the province is improving; New Brunswick's relative fiscal capacity position in 1963-64, for example, was only 64.2 per cent of the all-provinces average.

Table 10 also indicates that New Brunswick's tax effort in 1971-72 was greater than that of any other province. Eight years earlier, in 1963-64, New Brunswick's tax effort was only 98.2 per cent of the all-provinces average, a level surpassed by five other provinces. Clearly, New Brunswickers in recent years have demonstrated that they are prepared to pay heavily for what they consider to be an adequate level of government services even if doing so means a relatively onerous level of taxation.

TABLE 10
FISCAL CAPACITY INDICATORS, 1971-72

(Tax Indicator Approach)

	<u>Per Capita Actual Revenue^a</u>	<u>Per Capita Revenue Yield at Average Provincial Tax Rates</u>	<u>Per Capita Revenue Yield Index at Average Provincial Tax Rates</u>	<u>Index of Tax Effort</u>
Newfoundland	\$279.15	\$245.27	53.9	113.8
Prince Edward Island	283.99	267.32	58.6	106.7
Nova Scotia	305.76	332.77	73.0	91.9
<u>New Brunswick</u>	<u>376.59</u>	<u>304.73</u>	<u>67.2</u>	<u>123.6</u>
Quebec	436.09	381.82	83.8	114.2
Ontario	497.24	504.96	111.1	98.5
Manitoba	397.64	404.07	88.9	98.4
Saskatchewan	384.08	396.14	87.0	97.0
Alberta	495.01	624.60	137.5	79.2
British Columbia	508.57	547.03	120.0	93.2
All Provinces	453.92	453.92	100.0	100.0

^aFrom 16 major tax sources.

Source: Department of Finance, unpublished data (July 1971).

PROJECTIONS

What will the future be if New Brunswick continues along the path it has been on for the past decade? This section attempts to comment on and forecast some of the current trends in the New Brunswick economy. It is assumed that most economic forces will not change dramatically, that existing federal and provincial policy mixes will remain broadly the same, and that no major new factors will appear in the near future. This section does not describe what should or could be made to happen--that is the subject of some of the following parts of this paper. This section merely attempts to suggest what might happen if existing trends and policies remain essentially unaltered. Of course, the basic approach to development inherent in subsequent parts is to shift the trends so that the negative aspects of what might happen will not in fact occur.

Agriculture's role in the provincial economy has been declining steadily. This situation is likely to continue. Land suitable for agriculture in the province is widely scattered, resulting in high internal transport costs. Poor organization and management of the land resource is an additional impediment to economic expansion. There is at present no prospect of a really major agricultural development. Some improvement is possible, but only if a considerable effort is made to remove infrastructural, managerial and organizational bottlenecks. There is some scope for increasing the production of livestock, hogs and poultry for local consumption. However, only through increased processing activity can the historical decline in agricultural employment be moderated.

Over the last twenty years, the fishing industry has maintained its relative position within the goods-producing sector, although, in comparison with Newfoundland, Nova Scotia and Prince Edward Island, the New Brunswick industry remains a relatively minor one. Most of the fishermen are in reality part-time participants in the inshore fishery and they employ relatively modest amounts of capital equipment. Prospects differ for the inshore and the offshore fisheries. A viable inshore fishery will require a considerable reduction in the number of fishermen and increased investment in fishing craft and gear. While there are reasonably good prospects for increased output and returns from offshore fishing, particularly in connection with the utilization of new fish species, the resulting additional jobs will in all likelihood simply offset the jobs lost in the inshore fishery through rationalization.

The province's forest industry has shown little growth over the last twenty years. The sector's relative significance to the provincial economy has declined although it is still the mainstay of the economy in the northern parts of the province.

The available forest resource may permit a substantial increase in production, since actual harvests are substantially below sustainable yields. New Brunswick should be able to profit particularly from an increasing market for wood fibre and high-quality dressed lumber. To make use of this opportunity, however, it will be necessary to improve substantially the management of the forest resource; guidelines in this regard are expected from the forest resource study currently underway. The rationalization of the sawmill industry now in progress must be accelerated. There is a need to rationalize harvesting operations in order to remain competitive and to permit logging companies and woodlot owners to obtain a reasonable rate of return on their investment. Finally, considerable potential exists for further processing the forest resource within the province.

The mining industry, though small in absolute terms, is making an increasingly significant contribution to the provincial economy. In terms of value added, mining has surpassed both agriculture and forestry in recent years. The province is one of the larger base metal producers in the world with an output record in 1971 of 160,000 tons of zinc, 70,000 tons of lead and 10,000 tons of copper. Most of the ore is exported in the form of concentrates. Coal mining is declining in importance and is expected to be phased out soon. There is a small quantity produced annually of gypsum, sulphur, crude oil and natural gas. Substantial potential exists for greater base metal and non-metallic mineral mining activity. Prospects generally depend on finding new economic ore bodies, developing new processing techniques in order to achieve higher rates of recovery from the complex ores in the Northeast, the feasibility of increasing mineral resource processing within the province, and exploitation plans with respect to the rich potash deposit located 40 miles northeast of Saint John near Sussex.

While the manufacturing sector has kept pace with overall economic development in New Brunswick, the resulting employment gains have been insufficient to offset employment losses in the primary sector. Investment activity was strong in 1970 and 1971 but there was a drop in 1972. Seventy per cent of all manufacturing employment in the province is in resource-based industries. Although secondary manufacturing is as yet poorly developed, prospects appear good, in part because of DREE's RDIA program. Investment in the manufacturing sector is expected to accelerate in the near future in view of recent government efforts in the areas of infrastructure, training, management advice, credit and industrial promotion. The planned deepwater port at Lorneville is expected to attract major industries such as oil refineries and related chemical activities. The federal and provincial governments through their joint ownership of the Multiplex Corporation have been actively promoting the establishment of a metal-working complex

in Saint John; results are starting to materialize. When completely developed, this complex could employ directly up to 7,600 people. While full development is not yet assured, some success is virtually certain. Since total manufacturing employment was only 28,500 in 1970 according to establishment survey data, realization of the Multiplex project would obviously be of great significance.

The construction industry has not been an impressive performer in recent years. The number of new dwelling units started in relation to the population has been consistently below the Canadian average. There is ample scope for increased productivity in the industry. A more efficient wood products industry in the province would be of assistance in helping construction firms to keep down costs.

The service sector generally mirrors changes in the GPP. It is seen as a major source of new employment during the 1970s in line with national trends.

By way of summary, an employment forecast to 1981, embodying growth trends by sector, has been undertaken recently in collaboration with the province. It anticipates a continued decline in the agricultural labour force, virtually no change in forestry employment, a 12 per cent drop in the number of fishermen, and a 36 per cent increase in mining employment. Known expansion plans in the resource-based manufacturing field form the basis for anticipating substantial growth in this area of activity. Non-resource manufacturing is assumed to grow during the 1970s at the same rate as in recent years. Relatively little employment growth is forecast for the construction industry while the tertiary sector is assumed to continue expanding but at a less rapid rate than during the 1960s. In aggregate, an estimated 227,000 jobs are foreseen for New Brunswick in 1981, an increase of some 29,000 over 1971. By way of comparison, 29,000 additional jobs were created on a net basis between 1961 and 1971. The prospects for Multiplex and the RDIA program have not been incorporated in this forecast.

DEVELOPMENT CONSTRAINTS

The expected growth of the labour force over the 1970s will require about one-third more jobs than the number indicated above. Any shortfall in employment opportunities will inevitably be reflected in renewed out-migration, reduced participation rates and higher unemployment. If people continue to leave New Brunswick at the average rate evident over the last two decades, and if, among the population of working age, the number actively seeking work parallels the expected national trend, then by the end of the decade a wholly unacceptable level of unemployment will have become apparent.

In addition to the need for more rapid employment growth, development approaches for New Brunswick must necessarily take into account the social setting which will influence decisions in both the private and public sectors. New Brunswick is characterized by two important factors of major relevance to any development effort. They are the distribution of people in clusters across the province and the bilingual/bi-cultural nature of the province. New Brunswick's population has been decreasing in the more isolated rural areas but increasing in many other small rural communities, particularly those located on highways leading to the major urban centres. The province's cities, in contrast to elsewhere in Canada, are not growing rapidly. Indeed, there is a tendency towards stagnation within existing city boundaries with growth occurring outside city limits in contiguous areas. Compared to Canada generally, New Brunswick has a higher proportion of people of British and French origin and a much lower proportion from other ethnic backgrounds. This situation may have contributed to the somewhat rigid division which currently exists between the two major language groups. The views of the Anglophone element in the southern part of the province have traditionally dominated both public and private life. Today, however, these views and values are being, increasingly challenged by the Francophone minority. It is frequently argued that the province mirrors Canadian reality in this respect more than any other part of the country.

A constraint on the development of New Brunswick stems from the aspirations and concerns of many of its residents. There is evidence of anxiety about the secular depopulation of rural areas and communities, and the shift from a rural to an urban life style. There is a feeling, especially in rural areas, that policies designed to encourage young people to move to urban areas are of dubious merit. While many New Brunswickers understand that the province's traditional resource-based economic activities can no longer provide the workers involved an adequate income, it is nonetheless widely held that development programs are unlikely to improve the economic situation very much. Other views shared widely are that both rural and urban residents should have an equal right to the full range of government services, planning is to some extent an infringement on the basic rights of the individual property owner, development policies to date have resulted in social upheaval and insecurity for many people but only limited compensatory benefits, and people should have greatly heightened access to decision-makers.

There are other constraints imposed by the New Brunswick social situation. For instance, many residents prefer to work in rural areas or smaller communities and are reluctant to move to larger centres. The Francophone population of northeastern and northwestern New Brunswick continues to prefer employment

within a Francophone area. Consequently, a significant number of New Brunswickers emerge as being unable or unwilling to take advantage either of existing social adjustment programs or of job opportunities outside their immediate geographic area.

OPPORTUNITIES

INTRODUCTION

Identifying opportunities and areas for government initiative is part of the continuing developmental process and should be undertaken by those responsible for, affected by or able to influence subsequent action. In line with this, the following material is intended to illustrate what such an assessment of opportunities might produce. The activities identified are examples only. While the initial testing indicates that they are sufficiently real to warrant investigation, in following through it is more than likely that some will fall by the wayside and new ones will emerge.

Assessment of the assets of the province against changing technology, markets and services indicates that there is a wide range of opportunities for viable economic activity across the province. Thus, notwithstanding the trends and projections, there appear to be extensive opportunities to change the course of development in New Brunswick. To take advantage of such opportunities in many instances, however, would require initiatives to bring about supporting changes in organization, competence and action often across many elements of the economy.

In general the economic resources of New Brunswick are remarkably varied over a small geographic area. Developmental opportunities are equally diverse, ranging from heavy industrial potentials at Lorneville to service and recreation potentials at Shédiac. The diversity makes possible the development of opportunities in a range of activities and a variety of locations. It is not necessary, and may not be desirable, to attempt to focus upon a key development or to find a few key industrial projects. It may be suggested that the major developmental opportunity available in the province is the opportunity to encourage the development of a diversified base of economic activity in situations offering a wide choice of lifestyles.

The opportunities which could be developed successfully would, in part, be determined by the general economic climate of the province. Improved access to markets and materials through improved transportation services is an important element in improving the viability of potential activities. Participation in the gateway concept (see below) could provide both a major economic opportunity for the province and improve the viability of other activities. Related to this is the potential for development which could be generated by initiatives and coordinated action to obtain maximum benefit from opportunities available, sector by sector, and area by area, across the province.

OPPORTUNITIES TO STRENGTHEN THE ECONOMIC BASE

The gateway transportation concept described in the regional paper would involve the development of at least three key components in New Brunswick: the deepwater port at Lorneville, the general cargo/container facilities at Saint John, and the reception handling and distribution services which might be expected to develop at Moncton. Elements of this system are already in or coming into place although to date these have been evolving project by project.

The coming into existence of the transport complex, on a scale that truly provides a unique service, could be an essential and critical element in the revitalization of New Brunswick. Low cost, rapid and dependable access to supplies and markets in Europe, central Canada and the northeastern U.S. would open up a wide range of opportunities which cannot be sustained by existing transport services. Through effective links into the system from the northeast and other parts of New Brunswick these opportunities would arise in centres all over the province.

Saint John would have a critical role to play in the development of the transportation system; the system itself would provide substantial opportunity for the city and surrounding region. The construction, operation and servicing of port and related services could, in itself, create substantial economic opportunity, linking back into the capabilities of the city and surrounding region for supplies and services of many kinds.

Over the longer run, however, the transport system would be of importance to Saint John and region as a key element in a strategy for growth in manufacturing activity. Saint John Deep makes possible the creation of a centre for basic heavy industry including power, oil refining, and other industrial products. Other elements of the gateway system would provide low cost dependable access to markets and access to supplies to permit the rapid expansion of Saint John as an export manufacturing centre.

Moncton is another major centre which, in providing services and facilities to support the gateway, could reap benefits both directly from the operation of the transport system and from the opportunities which would arise because of its existence. At the very least Moncton would be a major point of entry to and exit from the system for a significant portion of regional traffic. It is also a point of convergence of traffic from the four mainland ports in the system. From this there could emerge opportunities for sorting, warehousing, packaging distribution and other services profitable to the region and valuable to the system.

As with Saint John, the ease of access provided by the gateway could stimulate current manufacturing and other activity being explored. It would equally provide, once again, an avenue to markets and sources of supplies for the agricultural production in the Moncton region and the northeast.

For the rest of the province, the opportunities would depend upon adequate links into the system. The provincial government has already indicated concern to step in this direction. The Saint John River valley, the north, the northeast, and around to Chatham-Newcastle are areas which have potential for much increased production, particularly production of higher value products, given rapid, dependable service to large market areas outside the region. The gateway system could provide this service if the connecting links were made.

Strong and integrated efforts between the public and private sectors to bring this system and the regional connecting facilities into operation could effect a fundamental improvement in the basic viability of the economy of the province. It would make possible as well the viable development of particular opportunities across the province.

An additional element in the general economic climate of the province is the availability and cost of public capital facilities. The long period of relative stagnation of the economy has resulted in low levels of new investment in public capital projects and often a deterioration in public facilities. Over past decades the development of physical facilities such as roads and municipal services has failed to keep pace with developments in growth areas in the province. At the same time, limited private investment generates a limited base for raising revenues to renew or extend these facilities.

A number of government programs have provided measures to overcome this gap and the current DREE activities in this sector are a continuation of that commitment. Both the encouragement and the servicing of economic growth will require improvements in provincial and municipal infrastructure. It is recognized

that the facilities are the responsibility of these governments, but it is also recognized that assistance is required if these facilities are to be improved at the required pace.

SECTOR OPPORTUNITIES

To take full advantage of an opportunity for development may often require changes in the manner in which many elements operate. If the changes are beyond the influence of those immediately involved, then nothing happens and an opportunity is lost. Examples in the regional paper show how activity in the province is very much affected by decisions made elsewhere, and locally recognized opportunity is often not taken up. Significant development opportunities appear to exist, if efforts could be undertaken to bring them to fruition. The following material provides some examples of opportunities that appear to be available, together with an indication of some of the obstacles and barriers to action that might be encountered.

Forestry

Forestry in New Brunswick is the single largest contribution from the resource sector to the provincial economy; accordingly, opportunities for growth in the sector can make a significant contribution to development in the province. In recognition of this, the province jointly with the federal government undertook a comprehensive analysis of the industry and is currently taking steps toward development and implementation of new plans, policies and objectives in forestry.

In the historic growth of the forestry industry of New Brunswick, as with some other parts of Canada, the primary processing of wood-fibre remained in the province while the manufacturing and distribution facilities were built elsewhere. The major investment per dollar of value added was made in New Brunswick, but that portion of the industry which produced progressively higher dollar added per dollar invested was made elsewhere - in the United States, the United Kingdom or continental Europe.

Supplies of virgin fibre, for example are the basis of the packaging industry in the United States, the United Kingdom and continental Europe. Pulp products are either refined for the higher grades of packaging material or mixed with re-cycled waste for other grades. The manufacturing system is geared to the acceptance of semi-produced fibre and its conversion to a multiplicity of consumer products. New Brunswick's customers have both the market and the plant capacity to serve it, given supplies of raw material.

New Brunswick has a substantial and varied primary industry in which the combined production of kraft, sulphite and groundwood exceeds 1.1 million tons annually while newsprint, linerboard, box board and tissue approximates 900,000 tons. The paper converting industry on the other hand consumes only 30,000 tons of raw material, and 25 per cent of this comes from outside New Brunswick. Production is largely related to the Maritime provinces market with gross sales in excess of \$12 million, \$1 million of which is exported to the U.S.. The principal destinations of the pulp material from New Brunswick are the U.S., the U.K. and continental Europe.

Substantial additions to value added and employment could be achieved by converting to a more finished product. Value added for groundwood pulp for example is approximately \$75 per ton compared to \$150 per ton for newsprint, \$190 per ton for quality unbleached linerboard, \$280 per ton for food board and many times those amounts for business papers and fine and specialty papers. Tied markets, tariffs and other elements of the structure of the industry make such conversions difficult for entrepreneurs willing to try. It may well be, however, that initiatives which secure a delicate balancing of interests at many levels could generate action to take advantage of the substantial opportunities that exist in relation to wood for pulp.

A similar situation exists in the hardwood forests of New Brunswick. An outstanding feature of New Brunswick's production of hardwood lumber is the fact that at least 65 per cent of the 30 million board feet produced annually is exported. Most of the 19.5 million board feet of rough green hardwood lumber finds its way into the United States furniture manufacturing plants.

The fact that such a large volume of lumber leaves the province and is utilized by an industry as demanding as the furniture manufacturing industry indicates that New Brunswick can and does produce hardwoods of equal quality to other regions of North America. The low value that the provincial economy derives from the available hardwood resource is due to a low level of manufacturing rather than the often-quoted opinion that New Brunswick can only supply very low quality hardwoods.

It is a rule of thumb in the furniture industry that one million board feet of lumber can generate one million dollars worth of factory sales in furniture. Based on an export of 19.5 million board feet this could mean an annual production of \$19.5 million of furniture coupled with the

creation of 1,500 permanent jobs. It would be unrealistic to expect that all 19.5 million board feet could be immediately diverted to the manufacture of furniture lumber. The logical action would be to divert an initial proportion of these exports to a manufacturing plant in New Brunswick for production of components, at first, and furniture when possible.

In the review of forestry, a number of possibilities were identified as being of specific interest to the private sector. One relates to the manufacture of furniture and furniture components, which would generate a production value of some \$3 million together with employment in the order of 130 jobs. The other relates to an expansion of activity in the production of newsprint and moulded paper products to generate 100 to 200 permanent jobs. Both activities would make a major contribution to viability of the communities in which they would be located.

If action were taken to strengthen institutional capability for the use of forest products in high value-added activities, then steps would also be required to assist in re-organizing the production process to obtain increased supplies at greater levels of efficiency. Total forestry production has climbed only slowly to 240 million cu.ft. in 1970 and value added at \$30 million remains unchanged from the 1950's. Employment, which has been falling steadily, stands at 5,100 in the pulp and paper sector with 3,060 working in the 140 sawmills across the province and approximately 1,700 in secondary wood products industries.

It has been reported that the resource and market potential exist to double the output of softwood lumber with products processed to the maximum possible finish including planing, kiln drying, and grading. Potential exists for a fourfold increase in production of hardwood lumber with increases as well in production of plywood, hardwood veneer and hard board. These expansions, together with expansion of secondary wood products industries (essential to support housing industry development), would require a trained labour force of some 2,000 together with an undetermined number of skilled and unskilled forest workers.

The market for pulp and paper products has been weak, with production capacity in advance of demand. The immediate future for increased capacity is not encouraging, although prices are increasing. The New Brunswick industry is not strong, and changes in most plants would be necessary to maintain its position in world markets. It is possible, however, that improvements and expansion of plants to economically supply markets with high quality high value products could maintain and perhaps increase employment.

However, there is still an emerging crisis in the New Brunswick forest industry. Stocks of raw wood are at an all time low and several mills are closed or contemplating closure because of the critical shortage of woods labour. Conventional wisdom holds that the problem stems from the upgrading of the social assistance programs. This may well be true, but on the other hand New Brunswick woods workers are among the lowest paid in Canada while wood costs at the mill in New Brunswick are indicated to be among the highest in the world. Working conditions are far from ideal and the net pay is least when the work is hardest and most uncomfortable.

This problem may present an opportunity to the private sector to establish viable enterprises oriented around land management and cutting on forward contracts to mills. Establishment of year round work routines, fixed and mobile camps, skilled as well as unskilled labour, training programs and other elements of a trade could generate considerable viable employment in many communities in New Brunswick as well as provide the basis for a major expansion in the forestry and forest products sector.

There are grounds for a review of the conceptual approach to the whole forest sector. Developing a means for efficient use of labour in attractive working and living conditions, rather than wholesale replacement by capital in the logging operation, would be one element. Of concern as well would be the question of modernizing or replacing plants and whether in fact pulp and paper might shift its position to that of effective user of byproducts of lumber and other woods products operations. There are regional questions as well; development of policies related to the export pricing of wood fibres; integration of production and markets for wood products; and a region-wide effort at housing industry development.

It appears that opportunities exist, certainly for reversing the flow of employment out of the sector and, more probably, for increasing both the level and quality of the work force. The impact of such development on communities could be substantial, making a significant contribution to the efforts of groups of communities to re-establish their viability.

Agriculture

The rationalization of agriculture in New Brunswick has been occurring faster than anywhere in Canada. In 1971 there were 5,485 census farms left in the province, hardly one-fifth of the 26,431 farms recorded in the census of 1951.

Land area in farming, at 1,334,000 acres, is less than one-third of that in farming in 1951. Moreover 519,000 improved acres or one-half of the improved land available in 1951 is growing back into bush.

Some of this land was of low value for agriculture or was in isolated blocks, forestalling any attempt to make possible adequate services either to the industry or to the people struggling to make a living from it. For the most part, however, both present and abandoned farmland lies alongside large blocks of agricultural land classes II, III and IV, all of which are satisfactory for production but which have remained unused.

Many factors have contributed to the decline in acreage; its impact has been greatest in reduction of feed grain and hay production. For potatoes, the largest single crop produced, the continuing deterioration in rail service has had a major impact with production remaining constant as acreage directed to processing increases. Limited access to other markets, to supplies and to technical help have also taken their toll. The absence of marketing facilities to overcome the disadvantages of small scale specialized production in scattered areas of the province has made it difficult even to maintain production of high value fruit and vegetable crops. In fact, increases in plantings to serve the local processing market have barely more than offset declines in outside shipments.

For feed grains, less than one quarter of the abandoned crop acreage would produce the 4.5 million bushels (110,000 tons) of feed which is imported into the area at an annual cost to the region of close to \$5 million and to the taxpayer of more than \$1.3 million. The combination of subsidies and almost total lack of grain drying and marketing facilities continues to make grain production unprofitable to farmers. Without local grain and other feeds, livestock feeding is a high cost venture which has shown little inclination to grow even though prices are high and the market within the province could support more than double the production of meat - particularly beef.

Brokers and processors are in general better off with imported supplies than domestic production as long as the local market structure is disorganized. For specialty crops, this fragmentation is a function of the scale that is possible.

These and other factors have tended to dampen activity and in fact have produced a pervasive attitude toward acceptance of the (declining) status quo. This in turn has further restricted production opportunity. If, for example, the Grand Falls area were to become a much larger centre for potato production, it could also become a centre for increased livestock production which would use effectively the cull potatoes, the potato by-products, and the grain crops which would normally be used in potato rotations. Such opportunities may not prove to be viable now, or even with major shifts in policy and action in other sectors such as transportation. Should they be viable, however, it would appear that without extensive encouragement and aids to changing attitudes farmers will tend to continue to respond to a good price year for potatoes by inhibiting expansion in livestock production.

Unless positive steps are taken in relation to the transportation distribution and marketing service for potatoes, small fruits and other vegetables, these sectors could seriously decline over the next ten years. On the other hand, opening up the gateway system could provide conditions for considerable expansion in the potato and related vegetable and fruit segments of the industry. Tying these into possibilities for production of high value products including cooked foods and possibly institutional meals further opens up the horizons.

The continued strength of prices for beef, pork and poultry, and the extensive resource base that could readily accommodate production increases, present opportunities for development in this sector, if combined with measures to develop local capacity to produce grain. The available land and the abattoir in northeastern New Brunswick provide an excellent situation for major expansion in that area. Additional cow-calf operations, together with commercial feedlots and expanded pork production, organized to take advantage of cull potatoes and feed grain in rotation from increased potato production in the upper reaches of the Saint John River, could well capture significant additional benefits for the province.

Within existing and perceived markets, there appear to be opportunities for expansion of primary production by some \$15 million annually over the \$50 million or so of total current value added. A major development thrust in other sectors, particularly transportation, together with a shift to higher value and specialty products, could see that \$15 million figure enlarged considerably with perhaps a reversal in the flow of resources off farms. The shift to higher value products would increase stability as well as levels of incomes with beneficial consequences in the communities affected.

Mining

The mining industry, though actually small, makes a relatively significant contribution to the economy of the province. Value added from mining has increased nearly fourfold during the past decade and the sector has surpassed the output levels for both agriculture and forestry in recent years. Employment gains, however, have been much slower. In 1972 the sector employed 2,500 workers.

Prospects for development in this sector lie in four major undertakings, three affecting the northeast region of the province and the fourth and southern region. The first, which is under way, is the conversion of the Belledune Smelter to a lead smelter able to process about 200,000 tons of lead concentrates per year. This smelter will comfortably process all of New Brunswick lead concentrate production with no excess capacity for custom smelting.

The second opportunity would be the development of the many base-metal deposits in the Bathurst to Newcastle area. Operations are presently hampered by limited scale and limited recovery. Initiatives for establishment of a joint custom smelter operation together with even slight improvements in the metallurgy of concentration could yield significant benefits.

The third opportunity would be the production of electrolytic zinc. Based on known reserves, the Bathurst area could supply nearly 11 million tons of zinc concentrate or 5.5 million tons of zinc metal. Current concentrate production rates would permit production of 80,000 tons per year of refined metal. In addition opportunities would exist for movement from Quebec of zinc concentrates in exchange for New Brunswick copper concentrate which would be refined at the proposed Quebec copper smelter. Canada is the largest producer and exporter of zinc ore and concentrates and can operate with some strength in the market. This will be strengthened over the next five years, when it is expected that U.S. smelting capacity will fall from 1.3 million tons to about 670,000 tons by 1975. The zinc smelter alone would generate in the order of 500-800 permanent jobs. Development of the concentrating operation would provide direct employment at the concentrator but the main effect would be increased mining activity.

The fourth major potential lies in the as yet barely tested potash deposits in the southern part of the province, discovered in the course of the federal-provincial mineral reconnaissance survey program. The province is moving carefully

in developing these deposits, to ensure optimum benefits for the province over a long period. Much additional analysis and work would be required to assess and develop this potential.

Manufacturing

As a source of provincial employment and income, the manufacturing sector is of major importance, accounting for about 24 per cent of non-agricultural employment and 50 per cent of net output generated in the goods producing sectors. Overall output grew by 72 per cent between 1961 and 1969 while employment increased by 26 per cent.

Despite the rapid rate of growth, the structure of the manufacturing sector remains relatively unchanged. Nearly 56 per cent of manufacturing output in 1969 (60 per cent in 1961) was generated by industries within two groups -- food and beverages and paper and allied products. This specialization and resource orientation reflects the dependency role of the region to central Canada. New Brunswick industry is heavily dependent on central Canada for supply and on foreign markets for sales. Some 24 per cent of New Brunswick manufacturing is exported compared to 14 per cent for Ontario while 55 per cent of all supplies come from Ontario and Quebec.

A review of investment possibilities turns up an array of opportunities which could well get under way quickly with the help of incentives and with and without other initiatives. Activities such as steel pipe with allied facilities for production of skelp; plastic fabrication; boat building; major appliances; office and store machinery and many other possibilities exist. They come and go as the situation changes. The potential for growth and success of these and other ventures would be strongly influenced by the degree of progress in development of the gateway transportation system, in stimulating development of resource based industry and in careful development of markets.

It would appear, also that co-ordinated pursuit of refining and related production capacity could produce substantial benefits to suppliers, to the users and to investors -- benefits which could be made consistent with a continuing and concerted program for environmental protection. If the critical elements could be brought together to operate in a way to provide a useful service, the market is more than sufficient to support significant activity at Lorneville, Come-by-Chance and Canso.

Opportunities exist also in the realization of the objectives of the Multiplex Investment Corporation. Adjustments could well be made in the incentives program to provide clear indication of intentions to pursue these integrated activities. This, together with the substantial improvement in access to be generated by the gateway transportation system, could well trigger rapid increases in investment, production and employment within the multiplex concept.

Other Sector Opportunity

Systematic pursuit of opportunity in other sectors will also add to the growth in employment and incomes. Housing, fisheries, tourism and services costs all add substantially to the overall level of activity. At the same time, action in these sectors appears essential to maintain and enhance the quality of development occurring in the province.

Accepting the challenge on housing would not only create direct employment and support growth in related manufacturing but also would make possible higher living standards for people in New Brunswick. Similarly the opposite side of the tourist coin is recreation for citizens. Commercial and industrial services are a major economic generator in their own right but for investors choosing location, the effectiveness and range of performance of these service sectors is as much a part of the infrastructure of development as is transportation.

AREA OPPORTUNITIES

Improved performance, responsiveness and viability in each of the major sectors would provide a strong framework to which groups of communities could relate their efforts to foster development. Such action initiated at the local level could in itself contribute to strengthening of the sectors. More important, however, deliberate efforts on the part of groups of communities to take initiatives on their own could generate a good deal more in the way of potential for development and could enable these communities to accept intrusion from outside systems on the best terms the community can obtain.

Encouragement of efforts of communities across the province to identify and pursue opportunities could make a significant contribution to growth in the province. The dynamics would develop in process as socially coherent groups of communities move to work together to develop and maintain an identity and a viable economic base. From this process would emerge strategies, mechanisms and courses of development action appropriate to each area. These will only properly emerge from

a self assessment of opportunities, resources and aspirations within the local private sector and the community itself. The material which follows, therefore, is illustrative only, provided to indicate the possible dimensions of local opportunity.

Northeast

Restigouche, Gloucester and Northumberland counties share many common social characteristics including relatively low incomes and education levels, large numbers of substandard houses, and relatively poor community facilities. Forestry, fishing and mining form the economic base for the region, although wood products and other manufacturing activities are becoming increasingly of value.

The population of the region in 1971 was 167,600 people of whom 64 per cent were French speaking. While areas within the Northeast region have many common characteristics, people tend to identify themselves as belonging to one of four centres. These include Campbellton-Dalhousie with a population of 30,560; Bathurst-Belledune with 37,500 people; Shippegan, Caraquet and Tracadie with 40,800 people; and Chatham-Newcastle with a population of 32,160.

These four areas would be major beneficiaries of efforts to encourage increased value added from the natural resources sectors and from major initiatives in the housing sector. More important, the direct involvement of the private sector in these areas could bring about the changes. Wood products could form the basis for significant developments in the Campbellton, Belledune and Newcastle areas. Mining could contribute significantly to Belledune and to Newcastle and fishing and agriculture development to the peninsulas.

With a revitalization of the economic base of the region, opportunities would emerge for fabrication, repair and materials supply activities - providing products to and receiving materials from the resource sectors. These, together with increased local services generated in response to rising incomes, could raise substantially the level of employment, incomes and choices available in the region.

While, in general, the region continues to look to government to initiate or at least heavily support proposed activity, developments in recent years have shown many people that much more can be accomplished by standing on their own feet than by maintaining a dependency relationship. Each area has organized or is organizing a local development commission.

If these commissions were encouraged in their activities - not primarily to attract industry from outside, but to initiate change and reorganization that would support and guide development - substantial strides in economic and social development could be made in the region.

Southeast

Moncton and the surrounding region in the counties of Kent, Westmorland and Albert have substantial assets for development. It is in a position to make a major contribution to and draw major benefits from the gateway transportation service. Moreover, revitalization of activities in the rest of the province and in the Atlantic region will generate opportunities for linking outside centres to the system and providing supply, warehousing and other services to facilitate this movement.

The region is favourably located for the development of substantial economic activity. Approximately 75 per cent of the existing agricultural acreage can support beef production without further drainage. The Kent county area and parts of Westmorland are suited for production of a range of vegetables now being imported by McCain's due to insufficient local supply. Similar opportunities exist for manufacturing activity in support of sector development efforts and for independent private sector initiative.

With all of these activities would come demands for business and commercial services which would create the opportunity to strengthen commercial development in the downtown core of Moncton. If managed well, with social and aesthetic provisions in the forefront, these could form the basis for a strong commercial centre, attractive for establishment of more sophisticated business and industrial services.

In organizing a developmental process in the Moncton area it may well be desirable to explore alternatives to centralization of population. Of the 130,000-150,000 people who live in the developmental area, less than half live in greater Moncton and about one-third in the city proper. The industrial park is accessible from many other centres and, provided effective links could be made with the city, urbanized village life may not only be less costly to maintain but also more desirable. Opportunities to reinforce this pattern of settlement would arise in response to development in the agricultural and fisheries sectors. Combinations of activities developed and maintained in response to the tourist market, could support this lifestyle by providing a broad range of cultural and recreational activities for residents.

To examine such alternatives would require wide involvement on the part of these communities and Moncton. The extensive examination recently undertaken of the city of Moncton itself could provide a solid basis for an understanding of the forces in the city, and guidelines as to how these might be utilized to develop the region. The next steps would be to involve the widened community in that understanding and to initiate action in sectors and areas where the opportunities and implications are clear.

One further point in relation to the Moncton region: As emphasized in promotional literature, it is the meeting place for Acadian and English-speaking cultures. This is a major asset of the region, particularly in a developmental process geared toward using potential for economic growth as a vehicle for human betterment rather than as an end in itself. Failure to recognize and value this situation would be to lose a major opportunity in the Atlantic region to develop a uniquely attractive society, a unique city and a unique understanding that is important for the region and for Canada.

Northwest

The northwest region contains two developmental areas. One, to the north, includes the city of Edmundston and environs and the parishes of Madawaska and St. Basile. The other, the mid-Saint John River area, includes Woodstock, Hartland, Perth and Andover areas. In 1966 the region had a population of 80,350 people, 56 per cent of whom were French speaking.

While Carleton and Victoria differ in many ways sociologically from Madawaska, the economic links created by the Saint John River, the Trans-Canada highway, extensive potato production and forest activities, are strong enough to create one economic region. The continuity of the river valley is broken by social differences between the anglophones of southern Victoria and Carleton and the francophones of northern Victoria and Madawaska.

Each county appears to be relatively independent in the retail and service sectors, with only limited commercial intercourse between any of the three counties. Madawaska, despite its location, its francophone population and the forestry industry, appears to have little in common with Restigouche. Transportation and communications between the two counties is poor and the French populations have different origins with little commercial contact between the two counties.

Immediate opportunities for development in the northern part of the area - Edmundston, St. Leonard, Kedgwick, Grand Falls - appear to lie in recreation, agriculture and forestry. Edmundston has one of the finest golf courses in the Atlantic area, with bathing and boating facilities at Baker Lake, skiing facilities, excellent accommodations, entertainment and attractive scenery all of which enhance its potential as a tourist vacation region. The soil and acreage are conducive to the development of a buckwheat industry in the area. Several inquiries have been made from Japan for large supplies of buckwheat, with apparent willingness to pay a premium price for the product. This would necessitate grain drying and storage facilities and would also need a promotional program for farmers in the region. Production of soup peas and hard beans for the Japanese market are possibilities.

Edmundston has also been identified as a potential location for a furniture components manufacturing plant. A furniture plant now operating in the area is using the underdeveloped hardwood timber resources. Should the Fraser Edmundston sulphite mill be converted to kraft pulp, it is doubtful that the hardwood resource in the immediate area would be sufficient for all users. An alternative might be to base a new pulp mill operation on waste material from sawmilling, giving priority to the high value uses.

The more southerly part of the upper river area, including the Woodstock, Hartland, Perth, Andover developmental area, lies in a highly productive agricultural belt. The large scale dynamic food processing industry at Florenceville provides unparalleled opportunities for using the agricultural potential of this region to its maximum. Opportunities exist for both expansion and diversification of production. Current improvements in land management have more farmers adopting rotation practices; the decreasing amount of potato acreage and production available each year is being made up by imports.

The area is highly attractive as a recreation playground. The main tourist route into the Maritimes passes through the area. If a concentration and diversity of investments in planned development were encouraged, tourists could be induced to stop within the region for longer periods. Increased revenues would generate incomes and help finance attractive recreation facilities for residents.

Fredericton

Fredericton and the surrounding counties of Queens, Sudbury and York form a region of approximately 94,400 people divided more or less into two developmental areas - one centred about Fredericton-Oromocto and the other about Minto-Chipman.

The economy is highly diversified, with significant levels of activity and potential in forestry, agriculture, tourism, manufacturing, commercial and consumer services, administration, research and education.

The economic base of the Fredericton-Oromocto area centres on government administration, education, the military and skilled light industry. The area seems ideally located for a major furniture and furniture components industry and there appears to be definite private sector interest in exploring such possibilities. The wood resources could be drawn from the northwest, south central and Miramichi regions and there should be little difficulty in securing a skilled labour force. The intensive research and scientific facilities, together with the skilled labour force, offer opportunities for extensions of the light industry base. Tourism also provides excellent opportunities. With the Trans Canada Highway providing the main tourist route into the Atlantic region and with the facilities of Mactaquac and Fredericton to encourage stopovers, opportunities exist for many tourist-related activities.

The Minto-Chipman region has for some time been under the umbrella of the Grand Lake Development Corporation. Despite special efforts, progress in finding employment for the former miners and independents has been slow. Small specialized woodworking farms such as for kitchen cabinets, fireplace logs, woodstripping and other similar activities have developed and this base could probably be expanded. The Grand Lake area itself has considerable scenic beauty and, accordingly, opportunities exist for tourist industry development.

South and South East

The south and south eastern region of the province includes Saint John, the area centred on Sussex and Charlotte County. In 1966 the region had a population of 145,000, of which 81 per cent was English speaking, 11 per cent was French speaking and 8 per cent spoke other languages as a mother tongue. The economic base of the region is diversified, although influence of the Saint John area as an industrial centre is strong. About 60 per cent of the labour force of the region is engaged in manufacturing, commercial services, and trade in about equal proportions and transportation, communication and construction utilize another 20 per cent. Agriculture, fisheries and tourism contribute significantly to income in the region.

For the Saint John area, opportunities for development are heavily related to the container and deep water ports and to the location of the city as part of the transportation gateway (outlined earlier in this document and in the regional

paper). Access to international cargo flows and markets provides opportunities for selective expansion of the region's already substantial industry and manufacturing base. Opportunities would exist as well for expansion and development of selected distribution functions related both to provincial resources and to the gateway system. Expansion of activities for tourists could generate income, amenities and services for the people in the region. Finally, a developmental approach to the city could generate and support important urban services in an attractive social and physical environment.

The St. Stephen-St. Andrew-St. George area in Charlotte County has many natural attractions with opportunities to develop sophisticated and specialized tourist and recreational services. There are opportunities as well for development of some specialty sea food products and other activities related to the unique characteristics of the area.

Sussex and the surrounding area is becoming an area for industry development, offering a fully serviced rural environment for plant and personnel. There appears to be increasing potential for small industry growth if the environment can be maintained. The recent discovery of high grade potash overlying chemical grade salt at Sussex has opened up the possibility of a very large development. The cost of delivery to tide water is substantially less than from other deposits in North America. Consumers in South America, Europe and Eastern U.S. are readily accessible from Saint John as are markets in Africa, Japan and Southeast Asia - particularly if an extensive bulk cargo service is established.

EXCERPTS FROM MINISTERIAL STATEMENT¹

The economic circumstances and opportunities outlined in this paper and similar papers for other provinces and regions of Canada have been produced as part of the review of policies and programs carried out by the Department of Regional Economic Expansion over the past year. This review, and tentative policy approaches resulting from it, were discussed by the Honourable Don Jamieson, Minister of the Department of Regional Economic Expansion, in his opening statement to the Standing Committee on Regional Development of the House of Commons on April 10th. Following are excerpts from that statement:

....When the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities....The Department was quickly organized; it gave new impetus to the programs it inherited, notably those concerned with rural development; it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and it was provided by

¹ Statement prepared for delivery by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation....The bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government....

Because of new ground being broken in a complex and largely unexplored field, it was understood from the beginning, in the context of a long-term federal commitment to the basic objective, that a degree of experimentation would be required and that, with the passage of time and the accumulation of experience, modifications and even basic changes in Departmental policies and programs would have to be considered. This was reflected in a number of public statements. It was reflected also in some of the underlying law -- for example, in provisions of the Regional Development Incentives Act setting time limits on the periods during which applicant companies could bring projects into commercial production and remain eligible for payment of offered incentive grants.

Against this background, a decision was made last spring to undertake a major review of policies and programs. The provincial governments were informed of the decision and were assured that the results of the review would be the subject of consultation with them as soon as possible in 1973. I would like to make it clear that, until consultations with the provinces have been completed, no final conclusions about our findings will be drawn and no final decisions about basic changes in existing programs or major new initiatives will be made.

The review has been conducted in what I consider to be a very thorough manner. A large number of studies have been made, using staff drawn from different parts of the Department and other federal agencies and a variety of outside consultants. Quantities of valuable information have been sought and obtained from the provincial governments. And, particularly in the latter stages of the review, there has been a substantial amount of inter-departmental discussion in Ottawa.

Although a good deal of attention has been paid to existing programs, particularly RDIA, the review has been essentially forward-looking, concentrating heavily on analyses of regional economic circumstances and opportunities -- the types of analyses that, in our view, should make a valuable contribution to decision-making about ways and means of improving the effectiveness of federal-provincial efforts to reduce regional disparities and produce more balanced economic growth across Canada

In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that bear, or could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach" -- an approach that would call for the identification and pursuit of major developmental opportunities by means of the co-ordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes.....

Although based on a fair amount of staff work, the opportunities [outlined in the papers] do not represent federal commitments or federal proposals

for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities....

Let me be very clear on one point. Consideration of possible changes and new initiatives will in no way affect the determination of the Government to continue its efforts to reduce regional economic disparities in Canada. Our commitment to the basic objective stands firm and has indeed been intensified by the results of our policy review. What we are now seeking, what we will continue to seek, are ways and means of improving the methods used to produce greater, more satisfying and more productive employment opportunities in the slow-growth regions of the country.

....The results of our review suggest that, although there is room for improvement, as there always is, the programs are producing beneficial results at a reasonable cost. Present commitments under all these programs will of course be honoured. The programs themselves will be continued unless and until there are clear indications, arising from federal-provincial consultations, that the funds involved can be redirected in such a way as to increase the effectiveness of the overall effort.

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and processing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and

special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

....It is my tentative conclusion that optimum results in developing our slow-growth regions will require the coordinated application of policies and programs that bear upon specific opportunities. What I am contemplating is a continuing process whereby the federal and provincial governments could identify major developmental opportunities and pursue them together, endeavouring to use the relevant policy instruments available at both levels of government. DREE programs, marked by increased flexibility, would be among the relevant instruments.

Perhaps an example would help to illustrate the suggested approach. In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Man-power training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

The example may help to indicate why I am

suggesting a "multi-dimensional approach". It seems to me that such an approach could be developed over time as a means of strengthening the federal-provincial attack on regional disparities by focussing, in a manner consistent with national goals, on strategic opportunities for economic development in the regions of slow-growth throughout Canada. As I have already indicated, there appear to be many opportunities to expand employment and production in these regions in a manner that could contribute to total national wealth. It seems to me that, if properly developed, the suggested approach might attract the strong support of the private sector, which has been known to complain about the lack of government coordination in matters affecting economic development.

A good deal of thought has been given to the mechanisms that might be used to apply the concept, which would call for a high degree of interdepartmental coordination at both the federal and provincial levels of government. I think that appropriate mechanisms could be developed and I also think that, if the potential benefits to the Canadian people were demonstrable, the required degree of intergovernmental and interdepartmental coordination could be achieved.

The proliferation of public programs over the last twenty-five years has made improved government coordination a matter of some urgency in our society. I am not naive, however. I know that experience would suggest that coordination for its own sake, in the abstract, is difficult to achieve. But I am not talking about coordination in an abstract sense. I am talking about coordination in pursuit of limited and carefully defined objectives related to major developmental opportunities that have been identified jointly by the two senior levels of government. It seems to me that this kind of coordination should be regarded, not just as possible, but as something close to essential in this country.

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in

Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward important national goals. But I am not offering it as a panacea. I do not believe in instant solutions.

